

Federal Aid -

Federal appropriations and entitlements administered by state agencies. Monies are used both to fund state programs and address local needs. However, this does not represent all federal-aid received in Indiana. Some federal programs distribute funds directly to local units of government.

The major categories of federal-aid funding are: Highways/Transportation; Public Education; Health; and Welfare. Federal-aid funds generally have a very restricted and specific use, so growth in federal assistance does not always reduce the burden on state resources. Federal funds often accompany new government requirements which have added costs.

FY Revenues: \$5.4 billion

Avg. Growth (1993-2003): 11.3% per year

Dear Friend:

Taxes are always an issue with voters, I thought it would be helpful for you to know some basic facts about what is taxed and where that money goes.

I hope you find this pamphlet to be successful in answering any questions. However, I encourage you to contact me with any comments or questions you may have.

Sincerely,
Larry Buell
Your State Representative

Easy Access to Your Government

Indiana House of Representatives

1-800-382-9841

Rm. 401 Statehouse

200 W. Washington St.

Indianapolis, IN 46204-2786

Indiana Senate

1-800-382-9467

State Information Center

1-800-457-8283

Federal Information Center

1-800-347-1997

Indiana Department of Revenue

317-232-2240

Internal Revenue Service (Federal)

1-800-829-1040

Internet Homepage

<http://www.ai.org/legislative/homepages>



Indiana State Revenues 2003

Sales Tax -

A consumption tax. Tax on the purchase of non-essential items (exemptions include food, medicine, etc.) Paid for by the consumer, but collected by the seller and remitted to the State.

Tax Rate: 6% of the purchase price

FY 2002 Revenues: \$3.80 billion

Avg. Growth (1993 - 2002): 5.3% per year

Revenues accrue to the State General Fund, the Property Tax Replacement Fund, the Public Mass Transportation Fund, the Industrial Rail Loan Fund and the Commuter Rail Service Fund.

Individual Income Tax -

Tax on personal income (wages, interest earnings, etc.) Some portions of income are exempted based on the source or how the income is spent.

Tax Rate: 3.4% of taxable income

FY Revenues: \$3.54 billion

Avg. Growth (1993-2002): 4.4%

All revenues accrue to the State General Fund.

Corporate Income Taxes -

Effective 1/1/2003, Indiana has greatly simplified its corporate tax structures. Gone are the Corporate Gross Income and the Supplemental Net Income Tax. The Adjusted Gross Income Tax (AGIT) remains, but its tax rate has been increased from 3.4% to 8.5% of Indiana corporate taxable income. The Financial Institutions Tax (FIT) and the Insurance Premium Tax (IPT) also remain.

Tax Rate: AGIT 8.5% of taxable income; FIT 8.5% of adjusted gross income; IPT 1.7% and 0.5% of gross premiums

FY 2002 Revenues: \$888 million

Avg. Growth (1993 - 2002): -1.4% per year

All revenues reported here accrue to the State General Fund, the Property Tax Replacement Fund, or the Fire & Building Services Fund. The State Fire Marshal and State Building Inspector are funded from the Fire & building Services Fund.

Motor Fuel Taxes & Roadway User Fees -

Use-based taxes and fees. Taxes on the purchase or use of motor fuels. Most motor fuel taxes are paid initially by the wholesaler, but passed on directly to the consumer in the per gallon price.

Fees assessed for owning or operating a personal or commercial vehicle in Indiana (i.e. registration fee, driver's license fee, and title certificate fee, etc.) *These fees do not include the motor vehicle excise tax which is effectively a local property tax.*

Tax Rate: Gasoline - 18 cents per gallon
Diesel - 27 cents per gallon
(including 11 cents surtax)

Fees: Registration - \$20.75/yr. for passenger cars; \$29.75/yr. to \$1,359.75/yr for trucks based on weight
Driver's License - \$14 every 4 years
Title Certificate - \$15

FY Revenues: approx. \$880 million

Avg. growth (1993-2002): 2.5% per year

These monies are dedicated to roadway construction, maintenance and safety. Over 45% is distributed to cities, towns and counties. A small portion is used to cover the costs of collecting the taxes and fees.

Inheritance Tax -

Tax on the transfer of wealth at the time of death. The tax rate is based on the relationship of the recipient to the decedent and the amount transferred. All transfers to a surviving spouse are exempt from taxation.

Tax Rate: 1% to 20% of net taxable value

FY 2002 Revenues: \$142.9 million

Avg. Growth (1993-2002): 3.8% per year

92% of all revenues reported here accrue to the State General Fund. The resident county of the decedent retains 8% of collections. This amount is treated as a local tax and not included in the above total.

Cigarette & Alcoholic Beverage Taxes -

Taxes on the purchase of cigarettes, beer, wine and liquor. These taxes are paid initially by the wholesaler, but passed on to the consumer. For cigarettes the tax is passed on directly at a per pack rate. For alcohol, the consumer pays indirectly since the tax is based on gallonage.

Tax Rate: Cigarettes - 5.5 cents per pack
Liquor - \$2.68 per gal.
Wine - 47 cents per gal.
Beer - 11.5 cents per gal.

FY Revenues: \$160.7 million

Avg. Growth (1993-2002): 1.0% per year

Approximately 43% of these revenues accrue to the State General Fund. The remaining funds are used for a variety of purposes including: 1) local police & firefighters pension relief; 2) prison construction; and 3) direct distributions to cities and towns.

Gaming Taxes -

Tax on the net income from the Hoosier Lottery Commission. Taxes admission to gaming facilities and total dollars wagered. Excise tax and license fee for charity gaming. Monies from the lottery are administered by the state.

Tax Rate: Admissions - 20¢ for horse track or OTB; \$3 for riverboat casinos

Wagering: 2% or 2.5% of amounts wagered for horse racing; graduated rate between 15% and 35% of adjusted gross receipts for riverboat casinos. 10% of wholesale price of pull tabs, punchboards, and tip boards for charity gaming.

FY Revenues: approx. \$472 million (excluding interest earnings)

Avg. Growth (1993-2003): 13.9% per year

When these revenue sources were initially created, it was anticipated that most of the monies would be used for state and local infrastructure needs (i.e. the Build Indiana Fund). Since that time other pressing financial concerns have arisen.

Long-term commitments of gaming money include: Teachers Retirement Fund Stabilization; Local Police & Firefighters Pension Relief; and Vehicle Excise Tax Replacement

Other Taxes, Fees & Miscellaneous Receipts -

A wide variety of other revenues (i.e. special purpose taxes, service fees, interest earnings and proceeds from the sale of state property).

Tax Rate: Various

FY revenues: Approx. 2.3 billion

Avg. Growth (1993-2003): 10% per year

Only about 10% of these monies accrue to the State General Fund. Most of the remaining monies are dedicated to support specific programs. Thus, growth in these revenues generally does not ease the burden on the State General Fund.